Garment Men, Moving to New Home, Crystallize Fresh Code of Ethics

Two Buildings on Seventh Avenue Will Form Center for Industry and Provide Modern Methods for Trade; Co-operation Stressed

THE sixty or more manufacturers of women's garments who have begun removing their establishments from Madison Avenue and the side streets along Fifth Avenue and Broadway in the late twenties and early thirties to the two new buildings on Seventh Avenue from Thirty-sixth to Thirty-seventh Street, designated as the Garment Center Capitol, believe that they are taking a big step forward, not only in bringing their manufacturing and selling facilities to a high point of modern efficiency, but in setting up a code of ethics that will act as a standard for the entire trade. It is the psychological development embodied in this new coöperative scheme which originated from the high rent pressure of last year that promises more for the industry than the establishment of a centralized manufacturing location.

The women's garment industry, as such, probably is one of the most misunderstood in the country, largely because it has produced no large combinations that can be pointed to as embodying the ideals and policies of the entire trade. The garment people are fond of pointing out the contrast between their own industry and that of the great steel trade. In the latter the United States Steel Corporation really stands for the industry. In the women's garment trade there is no single firm that compares in magnitude to the Steel Corporation. Some idea of the size of the industry may be gained, however, by reference to the 1919 census figures, which show that the industry produced about $1,184,099,000 worth of merchandise in 1919. The clothing industry, as a whole, is said by those in it to be third largest in the country in point of capital invested, value of output and the number employed. The women's garment end of the industry naturally is larger than that devoted to the production of men's apparel, and it is said that about 80 per cent of the industry is located in New York City.

The new Garment Center Capitol, a coöperative idea born of the exigencies developed when rents became almost ruinous, according to the manufacturers, consists of two large buildings, one twenty-four stories in height and the other seventeen, and contains about 1,500,000 square feet, or fifty-six acres, of floor space, all of which will be devoted to manufacturing, selling and shipping of women's apparel.

How Plan Started

The buildings were begun in May, 1920, following notices served on the manufacturers by their various landlords that rents would be increased, in some cases more than 200 per cent, and that leases must be signed running from five to ten years. Like frightened children, the manufacturers turned to some one in authority to protect them. That some one happened to be Saul Singer, of Singer Bros., a firm of cloak and suit manufacturers, who at that time was president of the Cloak, Suit and Skirt Manufacturers' Protective Association. He called a meeting of all those who had been served with rent increase notices. Thirty-six responded to consider action. Few came with any clearly defined plan. But into the meeting came Mack Kanner, a garment manufacturer who formerly had been in the contracting business. Mr. Kanner had the germ of an idea. He also had options on certain pieces of property on Seventh Avenue.

The idea of tenants becoming their own landlords by the coöperative erection of their own building was broached. It fell on fertile soil, and at subsequent meetings the idea was developed, and finally it culminated in the decision to erect such a building.

The thirty-six men who compose the stockholders of the organization are proud of the fact that the whole idea was based on confidence, and that no contract other than those made with outside parties necessary to the erection of the buildings has been made.

When publicity was given the project there was a rush of other garment manufacturers to join. Subsequently the plans were enlarged to include additional tenants, and the idea expanded from one building to two. As the project now stands there are the original stockholders and approximately the same number of tenants who will occupy the two buildings. Many of them have taken an entire floor.

Ethics Now Stressed

The buildings themselves have been designed particularly for the garment manufacturing industry, with modern equipment in lighting, shipping facilities, rest rooms and lunch rooms for employees and a club for the tenants. This club will include rest rooms, a gymnasium and Turkish bath, a restaurant and other appurtenances of any social club. Membership will be restricted to the tenants of the buildings, although associated memberships may be granted to buyers and retailers.

It is through the club that the ethical conduct of the manufacturers in the building will be controlled, and this, those at the head of the project believe, will prove to be one of the most important movements designed to place the industry on a high standard. Certain rules and regulations will be embodied in the constitution and by-laws of the club. Failure to live up to them will mean expulsion. The men back of the movement believe that the combined subscription of the members of the club to this code of ethics will place a stamp on their products that will mean as much in the garment trades as the sterling mark now does on silverware.

The women's ready-made garment industry as such in this country is scarcely a half century old, yet in that time it has had a remarkable growth and has placed its stamp upon almost every woman in the country, for few are the women who do not include at least one ready-made costume in their wardrobes. The apparel manufacturers, while admitting that the history of their industry includes a long list of sordid events, such as the old sweatshop methods of production, the almost endless bickerings and disagreements with labor, undue speculation in raw materials, etc., feel that their sins have been no blacker than those of other industries and that their chief accomplishment has been the undisputed fact that American women are, taken as a whole, the best dressed women of any country, and that the garment industry has made this possible.

"The apparel trade probably is the most highly competitive of any industry," said Jacob Rapaport, a veteran cloak manufacturer and one of the stockholders in the Garment Center Capitol, "due to the fact that it requires so little capital to enter it. The industry is made up of those who started in with almost nothing. It has produced few millionaires and most of them have merely used the industry as a stepping-stone to operations in other fields that proved profitable.

Competition to Continue

"Because of the great number of individual producers in the industry a well defined set of standards hitherto has been almost impossible. In this new project, however, we have close to seventy manufacturers who will act as a single unit on many of the larger problems of the industry. Their combination in a single center and coöperative work in many directions will not, however, lessen their individuality or destroy honest competition."

Mr. Rapoport foresees the development of the coöperative buying of raw materials among the tenants, the coöperative purchasing of models from Paris at a great individual saving and other economies that can be effected by joint work along lines common to all manufacturers, all of which are expected to work to the advantage of the retailer and consumer in the shape of lower prices and better produced garments.

The shifting of the center of the garment industry from Broadway, Fifth and Madison Avenues and the side streets, to Seventh avenue, also is in line with the "Save New York" movement, begun several years ago and designed to keep the present district around Thirty-fourth Street and Fifth Avenue restricted as a retail shopping center. Since the erection of the two buildings of the Garment Center Capitol, other buildings destined to be occupied by garment manufacturers have been begun on Seventh Avenue and streets adjoining. In time, it is believed the entire industry will sweep to the westward of its present location, which has developed within the last ten years.

Fifty years ago the industry was started below Canal Street and gradually worked its way uptown, following closely on the heels of the retail trade. It followed the main arteries of travel and the new shift to the west marks a departure in its line of progress. Elements making for permanence are greater in number in the new section than in any other in which the industry has been located.

Officers in Control

The officers and directors of the Garment Center Capitol consist of the following well known manufacturers: Saul Singer, Singer Bros., president; Mack Kanner, Mack Kanner & Milnus, vice-president; Julius Blauner, Blauner Bros. & Co., treasurer; Jacob Reich, Mensch-Reich Co., secretary and chairman of service committee; J. S. Becker, J. S. Becker Co., chairman of club; Max Rubin, Rubin Bros.; Max Cohen, Max Cohen, Inc.; Jesse Woolf, Jesse Woolf & Co.; Jesse Shulman, Jesse Shulman, Inc.; Max Rubel, Max Rubel & Co.; Otto B. Shulhoff, Otto B. Shulhoff Co.; Armand Baer, G. B. G. Co.; M. Bandler, Maurice Bandler; Jack Amsterdam, Amsterdam & Sachs, and N. A. Cohn, Philip Mangone Co.

In addition, the following firms are stockholders in the project: I. Bodenstein, Inc.; Carl Bonwit, H. H. Finder Company, Ben Gershel & Co., Hyman W. Ginsburg & Co., R. Kobler, Louis Lustig, Henry Newman, G. M. Piermont, Samuel Post, Rappaport & Gottlieb, M. & H. Rentner, Maurice Strassman, J. M. Silverman, E. J. Wile & Co., George Wood, Zelenko & Moskowitz and Jacob Rapoport & Co.

Government to Pass On World Financial Plans of U. S. Banks

Transactions of International Character To Be Submitted to Authorities; Interest in Economic Readjustments

WASHINGTON, June 11.—Financial transactions of an international character entered into by American bankers with private banks abroad or with foreign governments will first be submitted to the American government for approval under an agreement reached at President Harding's recent conferences with J. P. Morgan and other international bankers.

The understanding was reached, it was said in Administration circles yesterday, because of the American government's interest in world economic readjustments and because of the position of the United States as a creditor nation. No general policy will be adopted by the bankers, it was said, without formal government approval, although separate transactions under the policy probably will be referred only informally for study at Washington. The coöperation to this extent of the government with the financial interests, it was emphasized, would not imply any guaranty of loans hereafter to be negotiated.

At the same time, it was said, plans were being made for another conference of bankers, this time largely representative of the West, with President Harding, when the Administration's policy on financial and business matters will be further developed.

Phone Incomes Up

Operating income for March of the sixty-eight telephone companies reporting to the Interstate Commerce Commission at Washington, was $9,290,502, an increase of $2,005,366 over March a year ago, according to a statement issued yesterday. For the three months operating income amounted to $24,876,468, an increase of $2,245,574 over the corresponding period of the preceding year.

Cosden Earnings Decline

For the first three months of this year Cosden & Co. reported net earnings, before deducting for depreciation and depletion, of $1,761,270, compared to $2,409,915 for the corresponding period in 1920. Net, before depreciation and depletion, for April amounted to approximately $900,000. In the first six months of 1921 the company retired through its sinking fund an additional $955,000 of first mortgage 6 per cent bonds.

Retailers Open Buying Offices Here To Overcome High Traveling Costs

The movement for direct representation of retail stores in all sections of the country in the local wholesale markets is one of the direct outgrowths of the high railroad rates which make the constant traveling of the store buyers to markets extremely expensive, and also affect in a similar fashion the manufacturer operating through traveling salesmen.

As a result of the continued high railway fare, heavy hotel bills and other expenses incidental to traveling, road salesmen's trips have become less frequent. The small out-of-town retailer who formerly depended on the road salesmen not only for considerable quantities of merchandise, but for information on market conditions, has felt the lack of this service. The other alternative, that of visiting the market himself, or sending his buyers here, more frequently than usual, is an expensive operation and piles up overhead charges in operating costs.

Several of the larger stores throughout the country have opened offices here. Smaller stores are combining and opening coöperative offices. Several schemes along the latter line, emanating not from the merchants, but from outside sources, are being started and their progress is watched with considerable interest.

For the small store an individual office with a staff of general or special buyers is a fairly expensive proposition, but for the large store it effects a considerable saving over the old methods of sending departmental buyers to the markets at frequent intervals. One of the chief benefits derived from constant representation in the wholesale markets is the information concerning wholesale conditions that the local representatives furnish their principals back home. It is along this direction, in a period of changing values and fluctuations in production, that the greatest development is being made.

Woolen Goods Manufacturers Note More Normal Consumption

Industry Watching a Number of Factors With Great Interest, Particularly New Tariff Schedule; Stocks on Hand Are Large

WITH woolen goods manufacturers making preliminary preparations for showing spring lines and with another government wool auction set for June 23, the woolen and worsted industry is manifesting not a little interest in the raw wool situation throughout the world. Recent purchases of domestic supplies by manufacturers have been interpreted as price tests, and interest is naturally centering on the new clip, shearing having become general in Western states.

Another element which enters into the situation is the duty on imported wool provided by the emergency tariff bill. What its effect on domestic supplies and prices will be is being awaited with keen interest. So far it has served only to increase imports greatly in the few weeks before it became effective.

Figures recently compiled indicate that there is a plentiful supply of the raw material throughout the world. With the new clip in hand it is estimated that the supply in the United States next month will be 825,000,000 pounds. The normal annual consumption of this country is about 550,000,000 pounds, so that the prospective July stock will be sufficient for about a year and a half. It is pointed out, however, that a substantial reserve supply must be maintained at all times to enable buyers to make selections of grade and quality. This amount has been estimated at 400,000,000 pounds, so the situation from the growers' point of view is not so doubtful as might seem at first plance.

U. S. Stocks on Hand

The government's quarterly report on wool stocks issued during the week is interesting in this connection. It showed 244,516,000 pounds held by dealers, 223,777 held by manufacturers and 51,094,000 held by the government, a total of 519,387,000 pounds held on March 31. Stocks held at interior points, together with the new clip, will probably exceed 400,000,000 pounds and imports since the government's report was compiled may be estimated at 100,000,000 pounds. Allowing for domestic consumption of 120,000,000 pounds since March 31, it would seem that supplies on hand at the end of the month in the United States would be nearer 900,000,000 pounds than 825,000,000.

Reports from the woolen goods trade indicate a more nearly normal consumption, and it is probable that the surplus will be gradually worked off.

Outside of the United States a similar condition is found, and it is not just clear now soon a return to normal can be expected in these quarters. Auction sales in London and Auckland, New Zealand, in the last few days have indicated a firm price tone and broadening interest. On one day at the latter sale, for instance, buyers took 4,500 of 7,200 bales offered at firm prices, and it was said that competition was keen.

Many obstacles have been overcome by Australian growers in the last year, as a result of the surplus accumulated under government control during the war, and it is believed that the situation is gradually clearing under the direction of the British-Australian Wool Realization Association. This group took charge about three months ago when the situation looked desperate.

Argentine Situation

The situation in Argentina is described thus by Consul General W. Henry Robertson, Buenos Ayres:

"Although it is impossible to obtain absolutely reliable estimates on the stock of wool in this country at any time, on account of the difficulty in estimating the stock on the farms in the interior, the prevailing opinion seems to be that existing stocks are around 125,000 metric tons (about 56,625,000 pounds). Of this amount about 20 per cent is believed to be high-grade wool, which consists of merino and fine crossbred; about 30 per cent medium grade wool, which consists of fine and medium crossbred, and about 50 per cent low-grade wool, which consists of medium and coarse crossbred. Of the latter class possibly 20,000 tons are what is known as "carbonizing wool," a wool which is so full of burs and other foreign substances as to have no market in the United States.

"No very definite plans are in view for marketing the present surplus. Favorable terms, extending to two years' credit, have been offered to European buyers, but these terms have brought no response except, perhaps, from the Belgians, it being rumored that a syndicate of Belgian firms is at present treating with Bahia Blanca wool dealers with a view to the purchase of several thousand tons on the above-mentioned terms of credit, it supposedly being the idea of the Belgian purchasers to reëstablish the once important Antwerp market. Local wool shippers, however, express doubt that this operation will be effected.

"The Argentine Confederation of Commerce, Industry and Production is considering the creation of a central institution which, under present plans, would take charge of all, or the greater part of, the unsold wool in Argentina. The association believes that in this way wool could be sent to more favorable markets and its sale effected to better advantage than now, when the market is subjected to the influence of individual offers of the local producers and dealers."

Plight of Australians

Auction sales in Great Britain and Australia are conducted under the auspices of the British-Australian Wool Realization Association, whose regulations are to remain in force until September 30, 1922. The situation which brought about the formation of "Bawra," as the association is called, is described by Trade Commissioner A. W. Ferrin, Melbourne, in Commerce Reports thus:

"In November, 1916, it will be remembered, owing to the crisis which then threatened the wool industry, the British government agreed to purchase all the wool of the 1916-'17 clip, less 516,000 bales already sold, at a flat price of 15½d. (31 cents) a pound (greasy) and to share equally with Australian growers any net profits from the resale of the wool above this price. The price of 15½d. a pound was the average of the previous season plus 50 per cent. Subsequently the agreement was extended to cover the 1917-'18 clip, and eventually all wool produced in Australia above local requirements for the period of the war and one year thereafter. These agreements termnated June 20, 1920.

"The Central Wool Committee, which was formed under government auspices and included representatives of the various branches of the wool industry, between November, 1916, and June 30, 1920, appraised a total of 7,127,090 bales (averaging 319 pounds to the bale), valued at £159,896,396 ($778,135,811 at normal exchange), and sheepskins valued at £5,280,088 ($25,695,548). Of the wool 168,816 bales were taken by Australian woolen manufacturers and 81,986 bales by Australian wool-top makers at appraised prices plus small delivery and appraisement charges. The balance, 6,876,288 bales, went to the imperial government.

Stocks on Hand

"On June 30, 1920, something over 2,000,000 bales of the wool purchased by the imperial government remained unsold, together with nearly the same amount of New Zealand and other wool owned by the government, and grave fears were felt that if public auctions of wool were resumed the British-owned wool, coming into competition with the new 1920-'21 clip, which was estimated at 1,600,000 bales, would have a disastrous effect on prices. An attempt was made, therefore, to create a pool to handle the 1920-'21 clip in coöperation with the imperial government, but submission of the proposal to a referendum of wool growers and brokers resulted in its defeat, and on October 1 public sales of wool at auction were resumed in Australia, subject to the customary pre-war agreement among brokers to limit the offerings at each sale to what the market could be expected to take.

"The capacity of the market appears to have been overestimated, for at the sales in October, November and December withdrawals were heavy and prices weakened, in spite of the fact the British government was selling very little of its wool in London in order to give the Australian growers a fair chance to dispose of the current clip. It was believed that the great accumulation of imperial wool was the dominant factor in depressing the market, and for that reason in January, 1921, the British Australian Wool Realization Association was formed to relieve the British government of the carry-over Australasian wool.

"This wool is understood to be 'velvet,' the imperial government having already reimbursed itself from wool previously sold for 15½d. a pound advanced on the entire purchase of war-grown wool, as well as having paid to Australian growers £6,486,992 ($31,568,947 at normal exchange) on account of their share of net profits. That is, the 1,800,000 bales of unsold wool is owned jointly and evenly, under the profit-sharing clause of the original imperial contract, by the imperial government and the Australian wool growers. Half of it is made an asset of the British-Australian Wool Realization Association at a value of £22,000,000 ($107,063,000); the other half, belonging to the British government, is to be sold for the account of the British government by the British Australian Wool Realization Association."

Thrift Easier To Preach in Trade Slump

Workers More Inclined to Save if Urged to Do So When Wages Are Coming Down, Say Bond Salesmen

Banks' Deposits Increase

Budget System Helps Foreman to Accumulate Funds He Said Was Impossible

THE most notable effect of the business depression of the last six or eight months so far as thrift is concerned is the increasing ease with which large organizations "sell" the idea of saving to workers who have left the pinch of reduced pay envelopes. On the whole the tendency to save has gained impetus from hard times, those in close touch with the situation testify.

There have been reactions, it is true, and savings accounts opened January 1 have fallen away, but observers are inclined to believe that the percentage of relapse along this line is smaller than in recent years. For instance, the Savings Banks Association of the State of New York has recently compiled figures on deposits and withdrawals in banks in its group for the first three months of the year which show that deposits exceeded withdrawals by $41,357,796. Incomplete reports since March 31 indicate that the surplus in the second quarter will not be so large, but there is always a falling off as the year progresses.

Organizations which sell thrift ideas to industrial organizations are perhaps in closer touch with the thrift tendency in its infancy, and the general consensus among these is that workers are more inclined to set aside regular amounts now than when they were making higher wages.

Effect of Wage Cut

Along this line the story is told by a salesman of one of these organizations of the effect on employees of a wage reduction. The salesman had canvassed the mill in question several times, and had pointed out in individual talks the necessity of preparing for a wage reduction such as had been put into force in surrounding mills. Many employees signed an agreement to begin saving, but others decided to wait. It so happened that the salesman returned on the morning that the wage cut was announced. The foreman predicted that the men would be in no humor that day to listen to the salesman, but, as a matter of fact, the bond man did almost a day's normal business in a mill that had previously been thoroughly canvassed.

Another salesman prevailed upon a foreman in a collar factory, who was making $100 a week, to adopt a budget system and see what the saving would be. The foreman had complained that he could save nothing on his wages, but after three months under the budget system he was able to tell the salesman that he could bank $100, the result of three months of systematic effort.

Most organizations selling savings plans of one kind or another—investments on partial payment plans, bank accounts or insurance—find that it is not difficult to convince a person of the necessity of saving. The thing to do is to point out how he can save without causing hardship. If a worker can be shown that he can save $2 or $5 a week with little or no inconvenience, and that the employer will take out this sum and give him a receipt for it, thus doing away with bookkeeping arrangements, the rest is easy. Saving soon becomes a habit.

In other cases the saving habit has already been developed, but the prospect lacks confidence in banks and banking houses. Cases of this kind are not uncommon in eastern Pennsylvania, where a salesman for a large New York bond house recently disposed of $6,000 worth of bonds to a man who went out into his back yard and dug up the cash from cans buried there.

Thrift Desire Remains

Of course, in industries where the business depression has been keenly felt and plants have gone on part time or have entirely closed actual savings have fallen away sharply, but it is believed that the desire and tendency to save still remains, and these persons will not have to be reëducated to the advantage of having savings upon which to depend.

One corporation which had instituted savings plans in many such industrial plants foresaw the trend and turned its attention to public utilities and other lines which show more stability. A large percentage of the organization's industrial accounts fell away when the plants closed, but the curve of business has climbed steadily in the last six months, despite the fact that the number of salesmen has been reduced more than 60 per cent.

Savings banks have felt the slackening, and in four out of ten Brooklyn banks withdrawals exceeded deposits from May 1 to May 25. It is felt, however, that much of this is due to a seasonal character and that for the second three months of the year the showing will compare favorably with the first quarter, although the excess of deposits probably will fall behind the mark set in the period from January to March. The ten banks in question as a whole showed a net gain in deposits over withdrawals of $276,272, nearly twice the loss in withdrawals.

Mobile & Ohio Report

The Mobile & Ohio Railroad reports a gross income for the year 1920 of $745,617, against $2,685,301 earned in the preceding year. Interest, rentals and miscellaneous charges absorbed $1,872,744, leaving a deficit of $1,127,126, against a surplus in 1919 of $1,013,007.

Monthly Earnings Not True Guide to Rail Conditions

Superficial Comparison of Gross and Net Revenue Inaccurate Indication of Trend Toward Recovery From Recent Slump in Traffic

APRIL, 1921, railroad net earnings have generally shown an improvement over April, 1920. It is customary to compare railroad earnings in any one month, not with the previous month, but with the same month of the previous year, because there are seasonal fluctuations in both earnings and expenses which vary widely between different roads. Thus, although it is customary to consider January and February as the two lean earning months and September and October as the two fat months, this does not hold true on some roads and does not hold true for many classes of traffic. Used as an average for the earnings of all the roads, it has significance.

In the three-year test period, 1914, 1915 and 1916, on which the government rental of the railroads was based during the period of government operation, the total operating revenues in January averaged $260,000,000 and in February $246,000,000. In September they were $296,000,000 and in October $305,000,000. October was the high figure and February was the low figure for the twelve months.

Expenses should be divided between transportation and maintenance. Transportation expenses vary directly with the volume of business carried, although they follow a downward trend somewhat slowly. A large increase in business can only be handled by putting on additional engines, engine crews and trainmen, and by burning more coal. The increase in expenses therefore is exactly coördinate with the increase in revenue, but when a sharp falling off in business takes place it is not possible to lay up engines immediately and to decrease engine mileage in exact proportion to the decrease in traffic. What happens is that more light mileage is run and it takes an appreciable period of time varying from a matter of weeks to a matter of a month or more to bring expenses down to correspond with the drop in revenue. Thus in the test period, transportation expenses in January were $99,600,000, in February $96,900,000, in September $91,500,000 and in October $95,300,000. Transportation expenses are also considerably affected by the weather on a road like the Denver & Rio Grande and the Northern Pacific. Snow in the winter months adds appreciably to the cost of operation. In the test period the high figure for transportation expenses was in March when $102,800,000 was spent on this account and the low figure was in July when $88,500,000 was spent.

Maintenance Expenses

Maintenance expenditure should have little to do with the volume of business, or, if it varies at all, should vary in inverse ratio to the volume of traffic. As a matter of fact, however, it does vary to some extent directly with the gross earnings. When earnings fall off cuts are made in maintenance charges, and when earnings are large deferred maintenance is likely to be taken up.

Every railroad officer from the division engineer to the president knows that this practice is uneconomical but "practical railroading."

Maintenance of equipment varies as the mileage run by the cars and locomotives, but there is so wide a variation in the time which a car or locomotive can be run before being sent to the shop that it is only incidentally that the volume of business that the road is doing at any given month affects the amount spent for maintenance of equipment. For this reason it is particularly important to analyze the expenses of the railroads as they are reported from month to month to try to determine if possible what policy they are pursuing toward maintenance expenses. It is perfectly possible to make a difference between the ratio of total operating expenses to total revenues of fifteen points in the extreme policy one way or the other of maintenance charges. Of course, this is true only over a short period of time, but at the present time it is of vital importance. If, for instance, a road which in May, 1920, earned just enough to pay operating expenses should show a May, 1921, ratio of expenses to revenues of 85, this might be due to a large decrease in transportation expenses, which the management had effected through better operation without proportionate increase in business or less handled with greater economy in transportation expenses, or it may be the result of an arbitrary smaller amount of maintenance work done. If it is the latter, it is temporary. In general the roads were undermaintained during the twenty-six months of government operation, and, as some of the Northern railroad executives contend, and while, during the so-called guaranty period, which was the six months March 1 to August 31, some of this deferred maintenance was taken up, the financial difficulties of the roads since last August have precluded, with more or less exceptions, anything but a hand-to-mouth policy of maintenance. They have no fat to live on now.

U. S. Operation

Prior to government operation most of the roads made an annual appropriation for maintenance of way and structures and charged a fairly uniform amount each month for this item, regardless of whether the actual work was done in that month or in a preceding or succeeding month. This was a satisfactory way of accounting and permitted the investor to make a fairly accurate estimate month by month as to what any particular road was doing in the way of economy of operation and profit from operation. When Director General McAdoo took over the roads he ordered this policy, but in 1919, with the falling off of traffic due to the armistice, and with the lack of enthusiasm for unnecessary government expenditures that was generally manifested by the constituents of Congressmen, the Railroad Administration changed its rules of accounting and began to report only such maintenance charges as pertained to actual work done. This reduced the amount of work that was being done. When the roads were handed back to their owners, they had the choice of following whichever of these two methods they chose so long as they notified the Interstate Commerce Commission as to which method they were following.

During the guarantee period the policy pursued by many of the roads was to make a blanket charge for the actual work required to take up the deferred maintenance and to let the legal department fight it out with the government as to whether all of the sums so spent should be paid by the government and how much to the company. In September, however, the roads of necessity had to meet their own expenses and they had the more or less comforting thought that the government might have to pay part of the bill afterward. A good many of them followed the government policy of charging to maintenance only the expenses of the work actually done in the current month, and since the first of the calendar year, judging from the monthly reports, they have pursued the policy, as old as American railroads, of deferring maintenance forces, both of equipment and of roadway, in hard times. A few preferred to make up their deficit in roadway and equipment earlier, if bad showing rather than later, and made their annual appropriation for maintenance work at the beginning of the year and charged to January, February, March and April, respectively, their share of the year's total appropriation. This is important in studying the monthly trend of railroad earnings.

Effect of Strike

Another factor is the effect which the outlaw strike had on railroad earnings in April, May and June of 1920.

With so many variables it is impossible to make any formula which can safely be applied to any one road's earnings and expenses and from which a definite and final conclusion can be drawn. As a matter of fact, while the railroad officers perfunctorily say, when they are talking with a banker or investor, that of course the proper comparison of earnings and expenses is between a month this year and the corresponding month of last year, for their own purposes they have been following the trend of earnings from month to month just as carefully, and it has been just as significant and helpful a comparison as that between the current month and the corresponding month of the previous year.

The late President W. W. Finley, of the Southern Railway, used to say that he believed that no matter why a railroad's revenues and expenses should not be divided fairly evenly over the twelve months of the year, and that it was the business of the traffic department to see that the volume of revenues did not fluctuate. The operating department could not be sure that interest charges go on evenly from month to month, and even distribution of maintenance charges tends toward economy, therefore it is squarely up to the department which solicits business to see that the hollow places are filled in.

Classes of Traffic

It is a bit dangerous to generalize about the movement of particular classes of traffic, because conditions vary so widely in different parts of the country. Conceding that whatever generalities may be indulged in here will not fit exactly some road or some contrawise situated railroad officer, it can be said that the largest movement of coal is in the fall and early winter months, and of ore in the spring and fall. The largest movement of grain is in the fall and winter months, excepting ex-Lake grain, which has a movement of its own. Citrus fruits move from California over the Northern routes in the late spring, summer and early fall and over the Southern routes in the cold weather. Fertilizers and farm implements move in the spring, and so on indefinitely.

The old school of railroad traffic officer was inclined to think that his duty was done when he stripped all the mail and main for more than its share of the traffic regardless of what it was. The younger men who have recently been promoted to the position of vice-president in charge of traffic are studying the question from a different angle. President Finley's theories are being accepted not only by men who came up through the operating department of the Southern, like T. N. Powell, vice-president of the Erie, but by men of the caliber of C. E. Spens, vice-president of the Burlington.

Studying Problem

These men are not content with trying to get the lion's share of business away from their competitors and passing the buck to the operating department to perform the transportation as economically as possible; they are making a study of the transportation department's problems and trying to fit the traffic into the general scheme of operation. When coal traffic is going to be light, extraordinary efforts are made to develop sources of traffic which, while they would not be as profitable as coal traffic when the coal traffic is available, are decidedly profitable in taking the place of coal traffic when coal traffic does not offer.

To sum up, an increase in net operating revenues of the New York Central, the Pennsylvania, the Atchison, Topeka & Santa Fe or the Northern Pacific in May is not going to be conclusive evidence, without analysis, that any one of these roads is making a permanently better profit. Not alone compare May, 1921, with May, 1920, or against May, 1919, with April and March, 1921, and weight with all such evidence as is available of the general trend of traffic conditions.

U. S. Foreign Trade Continues to Fall; Gold Exports Gain

Month's Transactions Result in Favorable Balance of $122,000,000, Commerce Department Figures Show

WASHINGTON, June 11.—Both exports and imports continued to fall off in May, but the month's trading resulted in a favorable balance of $122,000,000 for the United States, figures made public to-day by the Department of Commerce showed.

Exports for May totaled $330,000,000, as against $340,000,000 in April and $746,000,000 in May, 1920, while imports for the month were $208,000,000, as against $256,000,000 in April and $431,000,000 in May a year ago.

For the eleven months ended with May exports totaled $6,180,000,000, as against $7,480,000,000 for the corresponding period a year ago. Imports aggregated $3,472,000,000, as against $4,686,000,000.

Gold imports for the month totaled $1,062,521, as compared with $383,787 in April and $7,561,683 in May, 1920, and exports were $82,236,175 in April as against $15,687,859 in May last year.

Gold imports for the eleven months ended with May totaled $132,764,299, compared with $481,100,731 during the same period last year, and exports amounted to $602,817,925, against $123,775,217.

Silver exports for May totaled $2,352,609, compared with $6,862,130 in May, 1920, and imports were $6,956,077, as against $8,082,895 in May, 1920.

Silver exports for the eleven months aggregated $51,112,161, as against $174,451,104 in the same period last year, while imports were $55,805,359, against $96,337,935 for the eleven months ended May, 1920.

Silver Market

Silver—London, 35⅜d. New York, domestic, 99½c; foreign, 58¼c; Mexican dollars, 44¾c.

New Business At Low Level In Steel Trade

Little Improvement Expected Among Independents Until Freight Rates Are Cut; Lean Year Ahead

Prepare for Wage Drops

Companies Making Drastic Curtailment to Meet New Conditions in Industry

PITTSBURGH, June 11.—New business of the Youngstown Sheet and Tube Company is averaging between 15 and 20 per cent, touching the lowest level in years, if not in the company's history. The situation with other independent producers is virtually the same. Officials of the district producing interests agree that there will be little if any improvement until railroad freight rates have been revised downward, and other needlessly high charges cut, which are unduly boosting prices on manufactured products. Efforts are being concentrated to reduce production costs, in view of impending lower prices.

"We are losing money on operations, and so are continuing our efforts to pare operating and overhead costs in every way possible," states President James A. Campbell of the Sheet and Tube Company. "There will be no bonuses for officials, and the salaries paid them are to be reduced. In view of the fact that they were never raised in the same proportion as wages, it will mean a severe cut."

Necessities of the current situation are causing all independents to make drastic curtailments. Several such independents are making a month-to-month study of department costs, and trimming and retrimming such changes.

The Brier Hill Steel Company announces that salaries of all officials will be reduced 15 per cent, effective June 16. "Our officials did not receive salary advances in the same proportion that mill workers' wages were boosted during the war," says an executive of the company. "In taking a 20 per cent reduction they are losing relatively more than plant operatives did at 20 per cent. Salaries advanced about 70 per cent, and to have made the reduction proportionate to that effective on the company's force would have meant more than 20 per cent, inasmuch as the increase for workers receiving wages was about 140 per cent."

Plan Salary Cuts

A number of other independent interests have either already cut salaries or are about to do so. The reductions affect virtually everybody working on a salary, from the presidents and chairmen of the boards down.

District steel manufacturers declare it is the cumulative effect of excessively high freight rates which is the chief cause of trade strangulation and of bringing about the present stagnation in new business. It is generally maintained that high costs are putting the American steel industry out of the running for foreign business.

J. B. Kennedy, chairman of the board of directors of the Brier Hill Company, points out that the export trade is of tremendous importance to the steel industry and that German and Belgian steel makers are selling far under American producers at this time, despite the fact that most, if not all, steel makers in this country are now running at a loss. In the face of this situation, it is declared that the lower costs are not only desirable but imperative if producers are not to dispose of their properties and are to be in a position to handle business effectively later on.

Severn P. Ker, president of the Sharon Steel Hoop Company, states the decline in the price of steel has gone further than he looked for a further decline in the next few months. Sheet makers are in a better position to make a cut, he says. The price of steel must drop in order to permit American manufacturers to compete with the European steel mills. With the steady decrease in the cost of living a cut or two in wages will soon appear.

Look for Lean Year

Steel manufacturers of the Shenango Valley are not hopeful of any new business of any great tonnage next fall, and they assert that this will be the leanest year for some time. There is little prospect of the resumption of any of the fourteen blast furnaces in the valley in the near future. This week the Sharon Steel Hoop Company operated three finishing mills and two sheet mills and three open hearths in the Youngstown district. The tinplate mill at Farrell is running three days a week and the sheet mill is idle at present. The American Steel and Wire plant is idle, independent, as is the operation of the Sharon Press Steel plant, are working at about 25 per cent of capacity. The latter plant is on a 40 per cent basis.

The National Malleable Casting plant is running three days a week. The Carnegie Steel Company's mills in Farrell and Sharon are flat, with no prospects of any immediate resumption. There are 12,000 men idle in the Shenango Valley or working only part time.

A big slump has struck the Homestead Steel Works and the Duquesne plant this week and a large number of mills in the big plants are not operating on account of lack of orders. Only four open hearths at Homestead are running out of a capacity of sixteen. At the Homestead plant only a few hundred men are at work. Open hearth No. 5 is closed down, also the 30-inch mill and a number of individual mills in the Duquesne plant.

April Rail Earnings

Increase of Nearly 8 Per Cent Over Year Ago Shown

With reports tabulated for 200 Class 1 railroads, the total operating revenues for April were $431,062,000, compared with $399,892,000 for the same month a year ago. The operating expenses were $459,262,570.

April net railway operating income was $28,749,000, against a deficit a year ago of $22,579,000. In this connection, however, it was recalled that April, 1920, the railroads were operating under most unfavorable conditions, caused by the outlaw switchmen's strike, which was responsible for most of the poor earnings.

A decline of 5.8 per cent in maintenance of way expenses, which was brought about in a large measure by the lesser sums paid for expenditures of $99,000,000, the April total being $374,212,000. The report issued yesterday covers all the reporting roads with the exception of the Gulf, Colorado & Santa Fe.